

John Y. Ferry, Chairman  
Kevin S. Carter, Director

MINUTES OF THE MEETING OF THE  
SCHOOL & INSTITUTIONAL TRUST LANDS ADMINISTRATION  
BOARD OF TRUSTEES

DATE: NOVEMBER 18, 2008

PLACE: SALT LAKE CITY, UTAH

ATTENDING: BOARD

John Y. Ferry  
John Scales  
James Lee  
Mike Brown  
Dan Lofgren  
Steve Ostler  
Gayle McKeachnie

STAFF

Kevin S. Carter  
John Andrews  
Kim Christy  
LaVonne Garrison  
Tom Faddies  
Lisa Schneider  
Kay Burton  
Ron Carlson  
Tom Mitchell  
Rodger Mitchell  
Alexa Wilson  
NormaLee McMichael  
Elise Erler  
Kay Burton  
Michelle McConkie  
Tom Mitchell

OTHERS IN ATTENDANCE

Tim Donaldson, State Office of Education  
Margaret Bird, State Office of Education  
Paula Plant, State Office of Education  
Karen Rupp, State Office of Education  
McKay Edwards  
Paul Foy, The Associated Press  
Kimball Hidges, LPES  
Daniel Gunnell, LPES

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Chairman Ferry welcomed Board members, Staff, and guests to the Board Meeting.

1. Approval of Minutes

On Page 10 of the September 11, 2008, Board minutes, it should be noted that Mr. McKeachnie did not attend the closed session. With this correction, the Board approved the minutes of September 11, 2008.

Lee / Brown. Unanimously approved.

“I move we approve the minutes of September 11, 2008, with the above-noted correction.”

Roll Call:

Mr. Scales - - yes	Mr. Lee - -yes
Mr. Brown - - yes	Mr. Lofgren - - yes
Mr. Ostler - -yes	Mr. McKeachnie - - yes
Mr. Ferry - - yes	

With the correction of typographical errors on pages 15 and 17, the Board approved the Retreat minutes of October 22 and 23, 2008.

Lee / Scales. Unanimously approved.

“I move we approve the Retreat minutes of October 22 and 23, 2008, with the correction of the typographical errors.”

Roll Call:

Mr. Scales - - yes	Mr. Lee - -yes
Mr. Brown - - yes	Mr. Lofgren - - yes
Mr. Ostler - -yes	Mr. McKeachnie - - yes
Mr. Ferry - - yes	

2. Consideration/Approval of 2009 Board Meeting Schedule

The Board, without motion, approved the following meeting schedule for 2009:

January 22	Salt Lake City
February	No Meeting
March 19	Salt Lake City
April 9	Salt Lake City
May 13, 14	Uinta Basin - - Vernal
June 11	Salt Lake City
July	No Meeting
August 13	Salt Lake City
September 10	Salt Lake City
October 7, 8	St. George
November 12	Salt Lake City
December	No Meeting

Director Carter noted that, if anyone is interested in going sometime during the year to see the Amangiri Resort, let him know; and Staff would be happy to plan a trip there.

3. Chairman's Report

a. Beneficiary Report

Mr. Tim Donaldson gave the beneficiary report. He reported on a number of legal issues from the perspective of the beneficiaries. He also reported that the tension at the Board Retreat last month was largely due to a misunderstanding on the part of the beneficiaries of the presentation on the Enabling Act, Constitution, and Trust Lands Management Act.

b. Retreat Follow-up Discussion

Chairman Ferry led the discussion on the Retreat follow-up. He reminded everyone this is a process, not an event. Everyone who has a stake in this is invited to be engaged in the process. This is a five-year plan and will take some time to do. He invited the Board members to comment on any part of the Retreat they would like.

3. Chairman's Report (cont'd)

b. Retreat Follow-up Discussion (cont'd)

Director Carter gave the Board a copy of the FY 09 Incentive Objectives. He noted the Board had been sent a copy of the committee Charter and a recap of the time line to complete the next steps. He reviewed these with the Board and noted Chairman Ferry has made assignments for all Board members to serve on a subcommittee.

Director Carter reviewed the Charter with the Board and the tasks that are involved in proceeding; i.e., task one is to validate the SWOT analysis and task two is to develop plans to address the issues. He noted that Staff has been instructed that, if the Board member wants, they will set the meetings up and make all the contacts. Chairman Ferry stated he works as a team with his Staff counterpart and hopes that other Board members can enjoy that type of relationship also.

Director Carter relayed to the Board who the beneficiary representative and Staff contacts will be to each Board committee. IT will participate on each committee.

Mr. Lofgren asked for more clarification on the role of the Board members in this process. Chairman Ferry noted Board members can be more sensitive to issues in their particular area of expertise, and he would like Board members to look at those and help Staff address them. Director Carter noted some Board members had asked specific questions in their comments, and those should probably be addressed in the committee meetings.

It was noted staff will contact the Board member for their group to see who should be responsible for setting up the meetings.

Mr. Brown asked that all this information be e-mailed to each Board member, including the committee assignments and all the comments from Board members.

4. Director's Report

a. Director's Update on Issues

Director Carter informed the Board that yesterday he executed the agreement with Emery County on the industrial park.

Director Carter discussed wilderness impacts on trust lands with the Board through a power-point presentation.

*	Wilderness Study areas	190,770.94 acres
*	Wilderness re-inventory	524,498.46 acres
*	Red-rock Wilderness	1,031,004.15 acres

He showed the Board on a map the BLM land ownership in Utah, lands unavailable for acquisition, including the Grand Staircase-Escalante National Monument, BLM Wilderness Study areas, existing ACEC, T&E Habitat, Wild Horse and Burro herd units, Citizens' wilderness areas, and critical big game habitat. This leave very few lands eligible for exchange with the Federal Government.

The Board asked if we were prevented from trading into other states. Mr. Andrews noted we have looked at this years ago, and it would take an act of Congress to do this. There are some serious questions raised by it.

We need to trade scenery for minerals when we do trades. This has become increasingly complicated in the Congress.

b. Associate Director's Report

I. Update on Ivory Homes/Hidden Valley Lease Renegotiation

Mr. Andrews updated the Board on the Ivory Homes lease renegotiation. We have been discussing this with them since last May. This lease was negotiated at the very peak of the St. George market. With the economy now, Ivory cannot make money in any scenario with this lease. They will have to walk away from the lease if we don't amend it somewhat. We have been meeting with Ivory to see if there are options we can take to preserve return to the Trust and still allow Ivory to profit. Mr. Lofgren has been working with Staff and Ivory in this renegotiation.

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4. Director's Report (cont'd)

b. Associate Director's Report (cont'd)

I. Update on Ivory Homes/Hidden Valley Lease Renegotiation (cont'd)

Mr. Andrews noted that the starting point is that we need to look at the transaction and apply current market conditions. The Board went into closed session to discuss proprietary information on this issue.

Scales / Ostler. Motion approved.

"I move we go into closed session for the discussion of property values and proprietary information."

Roll Call:

Mr. Scales - - yes

Mr. Brown - - yes

Mr. Ostler - -yes

Mr. Ferry - - yes

Mr. Lee - -yes

Mr. Lofgren - - yes

Mr. McKeachnie - - absent at vote

The Board went into closed session at 10:00 a.m. Those in attendance were Board members, except Mr. McKeachnie; Kevin Carter, John Andrews, Ron Carlson, Alexa Wilson, Margaret Bird, Tim Donaldson, and Lynda Belnap. The Board returned to open session at 11:00 a.m.

II. Update on Land Exchange

Mr. Andrews updated the Board on the land exchange. We have been working on this for a long, long time. It is in an omnibus bill now, and we thought it might be considered in the lame duck session. It was announced yesterday that it will be not be considered. This will probably be the second or third issue considered when Congress returns next year. We have indicated to the environmental community that, if we are not part of this package, we need to look at evaluating the package again and probably look for another solution. We may need to, as Mr. McKeachnie noted last month, look into trading lands with other state agencies and developing new ideas.

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4. Director's Report (cont'd)

c. Development Group Report

I. Ft. Pierce Industrial Park 254-Acre Expansion

Ms. Alexa Wilson reviewed this item with the Board. We are proposing to add another 254 acres to the industrial park. This transaction was initiated in 1999 between Trust Lands and LGJ. The Trust owns 70 percent of the business venture. St. George City and Dixie Escalante Regional Electric Association provided low-interest loans with a line of credit to finance infrastructure construction and provide power-rate incentives. The Director noted he has asked the Development Staff to look at whether it makes sense financially to pay off the loans early if we have anything left in the capital account.

The Board approved the expansion of this lease.

Lee / Scales. Motion approved.

"I move we approve this expansion."

Roll Call:

Mr. Scales - - yes	Mr. Lee - -yes
Mr. Brown - - yes	Mr. Lofgren - - yes
Mr. Ostler - -yes	Mr. McKeachnie - - absent at vote
Mr. Ferry - - yes	

II. Forward Water Commitments - Utah County - for Eagle Mountain and Saratoga Springs

Ms. Elise Erler gave the Board an update on water issues in Utah County. She reviewed our ownership in Eagle Mountain and Saratoga Springs:

	<u>Eagle Mountain</u>	<u>Saratoga Springs</u>
* Surface Acres	2,700	1,100
* Developable Acres	1,900	800
* Dwelling Units	6,200	1,100

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4. Director's Report (cont'd)

c. Development Group Report (cont'd)

II. Forward Water Commitments - - Utah County for Eagle Mountain and Saratoga Springs (cont'd)

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There is a total of 7,200 acre feet of water needed for development in Eagle Mountain and Saratoga Springs at a cost of \$53-75/acre foot (excludes 500 acre feet already banked with Eagle Mountain). Timing of the water needs start in 2015-2019, with the majority of it being needed 2025 and after.

Water Strategy:

- \* Developers acquire water if water is available
- \* Trust secures water
  - \* CUWCD
  - \* Purchase water rights

Ms. Erler is proposing that we look into purchasing water from the Central Utah Water Conservancy District (CUWCD). Mr. Lee asked if we had looked at other water companies in Salt Lake County, whose basic rights come out of Utah Lake. They have been selling rights so they don't forfeit for non-use.

Mr. McKeachnie noted that, in his experience, the landowner should not be the one to buy the water, but let the water company own it. The landowner should just give them the money for it. Mr. Andrews noted we can buy it and bank it so that we don't forfeit it. Mr. McKeachnie suggested we still deal with the city and let the city deal with CUWCD. This should include all the pipes, hook-ups, etc. He noted we need to make sure that we have made arrangements to have it delivered, treated, etc.

After much discussion on this issue, the Board approved authorizing Staff to negotiate further on obtaining water rights.

Lee / Scales. Unanimously approved.

"I move we authorize Staff to negotiate acquiring water for development land, primarily dealing with CUWCD."

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4. Director's Report (cont'd)

c. Development Group Report (cont'd)

II. Forward Water Commitments - - Utah County for Eagle Mountain and Saratoga Springs (cont'd)

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Roll Call:

Mr. Scales - - yes	Mr. Lee - -yes
Mr. Brown - - yes	Mr. Lofgren - - yes
Mr. Ostler - -yes	Mr. McKeachnie - - yes
Mr. Ferry - - yes	

Staff will report back on the progress of this periodically.

d. Surface Group Report

I. Report on October 10, 2008, Land Sale

Mr. Christy reported the results of the October 10, 2008, land sale to the Board. He gave them a booklet which contained a recap of the parcels and results. The recap is as follows:

- \* 1,676.50 acres sold
- \* \$1,353,400 total of appraised values
- \* \$1,277,400 total minimum acceptable selling price
- \* \$ 762 minimum acceptable price per acre
- \* \$1,320,880 total selling price
- \* \$788 selling price per acre
- \* 5.46 percent above appraisal
- \* 3.40 percent above minimum

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5. Consent Calendar

- a. Limestone Other Business Arrangement - ML 51502-OBA - - Great Salt Lake Minerals Corporation

There were no comments received on this item, so it is approved.

- b. Six-Month Extension on ML 48143 and ML 48144 - - Liberty Pioneer Energy Source, Inc., Operator

Chairman Ferry noted the Board had received an e-mail from a concerned individual regarding this issue. The Board discussed this briefly, but felt that the fact that the company wants to drill quickly warrants the extension. He thinks extensions won't occur as often as we get further into leasing at the new royalty rate. As a fundamental question, he asked if the Board wants to increase royalty when we give an extension. It was noted this extension will be at an increased royalty of 13.5 percent. Mr. Tom Mitchell stated we don't see many extensions as OBA's. He would encourage the Board to look at changing the royalty rate on a case-by-case basis.

The Board took no action on this item, so it is approved.

Meeting adjourned at 1:22 p.m.